

April 14, 2016

Ms. Ramona Castaneda, Revenue Manager
City of Fullerton
303 West Commonwealth Avenue
Fullerton, CA 92832

Dear Ms. Castaneda:

Subject: 2016-17 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Fullerton Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule for the period July 1, 2016 through June 30, 2017 (ROPS 16-17) to the California Department of Finance (Finance) on February 1, 2016. Finance has completed its review of the ROPS 16-17.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 4 – 2005 Tax Allocation Bonds, debt service payment in the amount of \$4,994,569 requested for the July 1 to December 31, 2016 period (ROPS A period) is partially allowed. Finance approved \$3,253,069 in Redevelopment Property Tax Trust Fund (RPTTF) funding in ROPS 15-16B for this item, of which \$1,741,500 was to be applied to the payment due September 1, 2016. Therefore, Finance is approving funding for this item in the amount of \$3,253,069 from RPTTF and \$1,741,500 from Reserve Balances.
- Item No. 6 – 2010 Tax Allocation Bonds, debt service payment in the amount of \$2,185,043 requested for ROPS A is partially allowed. Finance approved \$1,412,543 in RPTTF funding in ROPS 15-16B for this item, of which \$772,500 was to be applied to the payment due September 1, 2016. Therefore, Finance is approving funding for this item in the amount of \$1,412,543 from RPTTF and \$772,500 from Reserve Balances.
- Item No. 16 – Project T Grant Match in the total outstanding obligation amount of \$98,000 is not allowed. Finance continues to deny this item. These contracts are between the City of Fullerton (City) and various third-parties. The former redevelopment agency (RDA) is neither a party to the contracts nor responsible for payment of the contracts. Therefore, this item is not an enforceable obligation and the requested amount of \$98,000 is not eligible for RPTTF funding.
- Item No. 17 – College Town Specific Plan in the total outstanding obligation amount of \$10,000 is not allowed. The Agency was unable to provide sufficient documentation to support the amount claimed. The Agency provided a Memorandum of Understanding dated June 22, 2011 between the Agency and the City. However, this document is insufficient to support the requested amount because it has expired (the agreement

states it will last for 24 months after the execution), and the Agency has not provided any new documentation to show that an obligation still exists. To the extent the Agency can provide suitable documentation to support the requested funding the Agency may be able to obtain RPTTF on a future ROPS. Therefore, this item is not an enforceable obligation and the requested amount of \$10,000 for the ROPS 16-17 is not eligible for RPTTF funding.

- Item No. 18 – Downtown Core & Corridors Specific Plan in the total outstanding obligation amount of \$1,321,860 is not allowed. Finance continues to deny this item. The contract is between the City and a third-party, the Agency is not a party to the contract. The Agency contends the RDA committed funds for the City's project per the City and RDA Cooperation Agreement dated January 25, 2011.

However, HSC 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, this line item is not an enforceable obligation and the requested amount of \$660,930 is not eligible for RPTTF funding.

- Item Nos. 19 and 20 – City and Agency Cooperation Agreements (Agreements) dated January 29, 2011 and June 7, 2011, outstanding obligation amounts totaling \$15,500,000 are not allowed. Finance continues to deny these items. The Agency contends the Agreements committed the RDA to fund the related capital improvement projects. However, HSC 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, these line items are not enforceable obligations and the total requested amount of \$3,000,000 (\$2,000,000 + \$1,000,000) is not eligible for RPTTF funding.
- Item Nos. 23 and 28 – Affordable Housing Monitoring, Administration, and Reporting Contracts, outstanding obligation amounts totaling \$10,290,000 are not allowed. Finance continues to deny these items. Finance denies these items as the City Housing Division assumed the housing functions. Upon the transfer of the former RDA's housing functions to the new housing entity, HSC section 34176 requires that "all rights, powers, duties, obligations, and housing assets...shall be transferred" to the new housing entity. This transfer of "duties and obligations" necessarily includes the transfer of administrative obligations; to the extent any continue to be applicable. To conclude that such costs should be on-going enforceable obligations of the successor agency could require a transfer of tax increment for life – directly contrary to the wind down directive in AB x1 26/AB 1484. Therefore, these items are not enforceable obligations and the total requested amount of \$250,000 (\$120,000 + \$130,000) is not eligible for RPTTF funding.
- Item No. 24 – Commercial Seismic and Rehab Loan Monitoring in the amount of \$12,000. Although enforceable, the types of services requested are considered general administrative costs and have been reclassified.
- Item No. 30 – Capital Improvement Projects in the total outstanding obligation amount of \$95,000 is not allowed. Finance continues to deny this item. Finance originally denied

this item because the contract is between the City and Griffin Structures; the RDA is not a party to the contract.

The Agency contends the City and RDA signed a cooperation agreement on January 29, 2011, committing RDA funding to the City. However, HSC 34171(d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the former RDA are not enforceable, unless issued within two years of the RDA creation date or for issuance of indebtedness to third-party investors or bondholders. Therefore, this item is not an enforceable obligation and the requested amount of \$95,000 is not eligible for RPTTF funding.

- Item No. 60 – 2015 Tax Allocation Bonds, debt service payment in the amount of \$1,289,100 requested is partially reclassified. Finance approved \$918,764 in RPTTF funding in ROPS 15-16B for this item, of which \$370,336 was to be applied to the payment due September 1, 2016. Therefore, Finance is approving funding for this item in the amount of \$918,764 from RPTTF and \$370,336 from Reserve Balances.

Except for the items denied in whole or in part, Finance is not objecting to the remaining items listed on your ROPS 16-17. If you disagree with Finance's determination with respect to any items on your ROPS 16-17, except for those items which are the subject of litigation disputing Finance's previous or related determinations, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

On the ROPS 16-17 form, the Agency reported cash balances and activity for the period of July 1, 2015 through June 30, 2016. Finance performs a review of the Agency's self-reported cash balances on an ongoing basis. Be prepared to submit financial records and bridging documents to support the cash balances reported upon request. If it is determined the Agency possesses cash balances that are available to pay approved enforceable obligations, HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF.

The Agency's maximum approved RPTTF distribution for the reporting period is \$8,491,639 as summarized in the Approved RPTTF Distribution Table on Page 5 (See Attachment).

ROPS distributions will occur twice annually, one distribution for the July 1, 2016 through December 31, 2016 (ROPS A period), and one distribution for the January 1, 2017 through June 30, 2017 (ROPS B period) based on Finance's approved amounts. Since Finance's determination is for the entire ROPS 16-17 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

On the ROPS 16-17 form, the Agency was not required to report the estimated obligations versus actual payments (prior period adjustment) associated with the July 1, 2015 through December 31, 2015 period (ROPS 15-16A). The Agency will report actual payments for ROPS 15-16A and ROPS 15-16B on the ROPS 18-19 form pursuant to HSC section 34186 (a) (1). A prior period adjustment will be applied to the Agency's future RPTTF distribution. Therefore, the Agency should retain any difference in unexpended RPTTF.

Please refer to the ROPS 16-17 schedule used to calculate the total RPTTF approved for distribution:

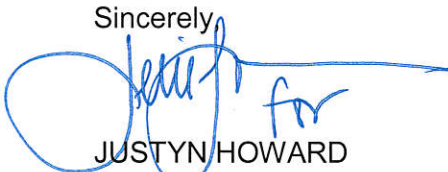
<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's determination related to the enforceable obligations reported on your ROPS for the period July 1, 2016 through June 30, 2017. This determination only applies to items when funding was requested for the 12-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if it was not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution statutes. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Nichelle Thomas, Supervisor, or Alexander Watt, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Charles Kovac, Project Manager, City of Fullerton
Mr. Frank Davies, Property Tax Manager, Orange County

Attachment

Approved RPTTF Distribution For the period of July 2016 through June 2017			
	ROPS A Period	ROPS B Period	Total
Requested RPTTF (excluding administrative obligations)	\$ 10,714,846	\$ 4,525,059	\$ 15,239,905
Requested Administrative RPTTF	125,000	125,000	250,000
Total RPTTF requested for obligations on ROPS 16-17	10,839,846	4,650,059	\$ 15,489,905
Total RPTTF requested	10,714,846	4,525,059	15,239,905
<u>Denied Items</u>			
Item No. 16	(45,000)	(53,000)	(98,000)
Item No. 17	(10,000)	0	(10,000)
Item No. 18	(330,465)	(330,465)	(660,930)
Item No. 19	(1,000,000)	(1,000,000)	(2,000,000)
Item No. 20	(500,000)	(500,000)	(1,000,000)
Item No. 23	(60,000)	(60,000)	(120,000)
Item No. 28	(65,000)	(65,000)	(130,000)
Item No. 30	(47,500)	(47,500)	(95,000)
	(2,057,965)	(2,055,965)	(4,113,930)
<u>Reclassified Items</u>			
Item No. 4	(1,741,500)	0	(1,741,500)
Item No. 6	(772,500)	0	(772,500)
Item No. 24	(6,000)	(6,000)	(12,000)
Item No. 60	(370,336)	0	(370,336)
	(2,890,336)	(6,000)	(2,896,336)
Total RPTTF authorized	5,766,545	2,463,094	\$ 8,229,639
Total Administrative RPTTF requested	125,000	125,000	250,000
<u>Reclassified Item</u>			
Item No. 24	6,000	6,000	12,000
Total Administrative RPTTF authorized	131,000	131,000	\$ 262,000
Total RPTTF approved for distribution	5,897,545	2,594,094	\$ 8,491,639